CANADIAN ROCKY MOUNTAIN PROPERTIES INC.

2002

Annual Report

Management Discussion and Analysis

Overview

The common shares of Canadian Rocky Mountain Properties Inc. trade on the TSX Venture Exchange under the symbol "CMP". The Company is a 64% controlled subsidiary of Proprietary Industries Inc. CMP's net income for the year ended September 30, 2002 was $197,073 versus $166,714 for the year ended September 30, 2001. Cash flow from operations for the year ended September 30, 2002 was $969,254 versus $908,504 for the year ended September 30, 2001.

Mobile Home Parks

WCP Holdings Ltd. owns and operates three mobile home communities in Edmonton, Lac La Biche and High Prairie, Alberta that cater to the middle to lower income housing market. The property in High Prairie is being closed due to inadequate returns being generated from operations. Management is reviewing the available alternatives for the site including a possible redevelopment as a senior citizens village. The Edmonton location has recently received city zoning approval for expansion and it is anticipated that expansion will proceed during fiscal 2003. Management is also reviewing alternatives for this location to maximize value for shareholders. One alternative available is to strata the lots and sell them off as condominium lots. The Lac La Biche property is also being reviewed for expansion. The property has available excess land which has not been developed further due to inadequate water supply. Management is determining the cost of establishing adequate water supplies, along with the costs of an expansion to determine the feasibility of an expansion. Currently the two ongoing properties combined generated annual revenue of $2.8 million and EBITDA of $1.9 million for fiscal year 2002. This was the result of a full years impact of the reduction of vacancies which occurred in fiscal 2001.

Central City Business Park

On September 1, 2001 the Company acquired Central City Business Park ("CCBP"), a 37,000 square foot commercial strip mall in downtown Kelowna, B.C. for a total cost of approximately $3.0 million. The purchase price was satisfied by the assumption of existing first and second mortgages of approximately $2,636,500, payment of corporate and property tax obligations and the issuance of 31,742 common shares of CMP at a deemed price of $1.00. During fiscal 2002 CCBP accounted for $0.45 million of revenue and EBITDA of $0.1 million. An appraisal of the property was completed in August 2002. The appraised value at that time per the report was $3.5 million. CCBP is now 95% leased after completing some renovations in fiscal 2002, so management is looking for improved results and an increase in appraised value in fiscal 2003.

Financial Condition, Liquidity, and Capital Resources

As at September 30, 2002, CMP's cash and accounts receivable net of accounts payable, accrued liabilities and income taxes payable was a deficiency of $124,864 compared to a restated deficiency of $8,845 as at September 30, 2001. The increased deficiency is due primarily to increased income taxes resulting from current year net income with no offsetting deductions or losses as in the prior year.

As at September 30, 2002 CMP's debt was approximately $14.1 million of which $2.9 million is reflected as being due in the next fiscal year. Management has been able to renegotiate the repayment of $1.8 million of the balance such that it will now not have to be repaid until March 2004. Management believes it will also be able to refinance a further $0.4 million of demand loans which have been reflected as currently due but no demand has been made yet for repayment. It is management's opinion that cash flows combined with support from CMP's parent will be sufficient to meet ongoing obligations and planned expenditures as they come due.

There were no major capital expenditures incurred during the period.

Share Capital

As of September 30, 2002 CMP had 2,842,742 common shares and 1,250,000 preferred shares outstanding and options to purchase 230,000 common shares. The exercise price of the options was $0.75 per share, however all options expired subsequent to year end without being exercised.

Management's Report

February 24, 2003

Management of Canadian Rocky Mountain Properties Inc. (the "Company") is responsible for the integrity of the accompanying financial statements and all other information in this Annual Report. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

The preparation of the financial statements necessarily involves the use of estimates and careful judgment, particularly in those circumstances where transactions affecting a current period are dependent upon future events. All financial information presented in this Annual Report is consistent with the financial statements. To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting controls that provide reasonable assurance that the financial records are reliable and form a proper internal basis for timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits.

The Board of Directors discharges its responsibilities with respect to the financial statements primarily through the activities of its Audit Committee, which is comprised mainly of directors who are not employees of the Company. This committee meets annually with management and with the Company's independent auditors to review the Company's reported financial performance and to discuss audit, internal control, accounting policy and financial reporting matters. The financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

The financial statements have been audited by Mintz & Partners, LLP, who were appointed subsequently to the last annual general meeting after Hudson & Company, the Company's former auditors resigned. The report of Mintz & Partners, LLP is presented herein.

"Glenn F. McCowan"

Glenn F. McCowan
Chief Financial Officer

CANADIAN ROCKY MOUNTAIN PROPERTIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2002
(with comparative financial statements for September 30, 2001)

AUDITORS' REPORT

To the Shareholders of
Canadian Rocky Mountain Properties Inc.

We have audited the consolidated balance sheets of Canadian Rocky Mountain Properties Inc. as at September 30, 2002 and the consolidated statements of operations, retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Previous consolidated financial statements were audited by another firm of chartered accountants who provided unqualified opinions on their reports.

The consolidated balance sheet as at September 30, 2001 and the consolidated statement of cash flows for the period then ended are presented to give effect to a correction of an error subsequently discovered that existed at the date of the previously issued auditors' report. We have audited the adjustments to the September 30, 2001 consolidated financial statements and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

Mintz & Partners LLP

Toronto, Ontario
February 18, 2003

Chartered Accountants

CANADIAN ROCKY MOUNTAIN PROPERTIES INC.
CONSOLIDATED BALANCE SHEETS

		September 30		
		2002		2001 (Note 16)
ASSETS				
Cash	$	187,801	$	107,486
Restricted cash (Note 6)		155,019		147,957
Accounts receivable		42,507		32,563
Prepaid expenses		110,708		49,315
Notes receivable (Note 7)		42,754		50,517
Advances to shareholders (Note 5)		2,899,269		2,142,704
Revenue-producing properties and capital assets(Note 4)		15,197,136		15,558,180
Deferred charges		38,867		74,171
	$	18,674,061	$	18,162,893
LIABILITIES				
Accounts payable and accrued liabilities	$	161,753	$	112,163
Income taxes payable		193,419		36,731
Security deposits		180,779		128,266
Rent received in advance		100,986		65,780
Advances from shareholders (Note 5)		340,241		141,114
Long-term debt (Note 8)		14,067,767		14,310,284
Obligation to issue common shares (Note 3)		-		31,742
Future income taxes (Note 12)		350,171		286,683
Preferred shares (Notes 9 and 10)		1,250,000		1,250,000
	$	16,645,116	$	16,362,763
SHAREHOLDERS' EQUITY				
Share capital (Note 10)		231,896		200,154
Contributed surplus (Note 9)		1,179,923		1,179,923
Retained earnings		617,126		420,053
		2,028,945		1,800,130
	$	18,674,061	$	18,162,893

APPROVED ON BEHALF OF THE BOARD:

"Edward Alfke"________________________, Director ________"William Turnbull"____________, Director

See accompany notes

CANADIAN ROCKY MOUNTAIN PROPERTIES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	Year ended September 30 2002	Year ended September 30 2001 (Note 17)
Revenue		
Rentals	$ 3,254,275	$ 2,658,822
Other	16,617	17,507
Interest (Note 5)	149,864	143,772
	3,420,756	2,820,101
Expenses		
Interest on long-term debt	1,126,026	957,710
Rental	1,119,195	856,386
Amortization	450,149	446,369
General and administrative	264,100	177,995
	2,959,470	2,438,460
Income before the following	461,286	381,641
Write down or loss on disposition of capital assets	(35,306)	(21,908)
Income before income taxes	425,980	359,733
Income taxes – current	165,419	36,731
Future income taxes	63,488	156,288
	228,907	193,019
Net Income	197,073	166,714
Retained earnings, beginning of year	420,053	413,425
Effect of change in accounting policy (Note 2)	-	(160,086)
Retained earnings, end of year	$ 617,126	$ 420,053
Earnings per share – basic (Note 13)	$ 0.07	$ 0.06
Earnings per share – fully diluted (Note 13)	$ 0.04	$ 0.04

See accompany notes

CANADIAN ROCKY MOUNTAIN PROPERTIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended September 30 2002	Year ended September 30 2001 (Notes 16 and 17)
Operating activities		
Net income for the period	$ 197,073	$ 166,714
Items not affecting cash:		
Amortization	450,149	446,369
Rent to own revenue	(6,400)	-
Future income taxes	63,488	156,288
Write down or loss on disposition of assets	35,306	21,908
	739,616	791,279
Changes in non-cash items related to operations (Note 14)	229,638	117,225
Cash flows provided by operations	969,254	908,504
Investing activities		
Purchase of capital assets	(143,454)	(371,958)
Proceeds from disposal of capital assets	21,642	80,416
Decrease (increase) in notes receivable	39,890	(9,085)
Increase in restricted cash	(7,062)	(51,256)
Cash flows used in investing activities	(88,984)	(351,883)
Financing activities		
Shareholder advances	(557,438)	(1,528,292)
Repayment of long-term debt	(242,517)	(144,222)
Issuance of common shares	-	200,150
Cash flows used in financing activities	(799,955)	(1,472,364)
Increase (decrease) in cash	80,315	(915,743)
Cash, beginning of period	107,486	1,023,229
Cash, end of period	$ 187,801	$ 107,486

See accompany notes

THE COMPANY

Canadian Rocky Mountain Properties Inc. ("CMP") and its subsidiaries ("the Company") own and operate three mobile home parks in the Province of Alberta, and a commercial rental property in the province of British Columbia. The Company's primary operations are carried out through its wholly owned subsidiary WCP Holdings Ltd. ("WCP"). The Company was originally incorporated under the *Alberta Business Corporations Act* and was continued under the *Canada Business Corporations Act* in July 2002.

1. BASIS OF PRESENTATION

a) Principles of Consolidation

The consolidated financial statements include the financial statements of Canadian Rocky Mountain Properties Inc. ("CMP") and those of its wholly owned subsidiaries, WCP Holdings Ltd. and 866649 Alberta Ltd. The consolidation has been prepared where CMP is considered to be the "accounting" subsidiary and WCP Holdings Ltd. is the "accounting" parent as WCP is the operating company that was acquired by CMP which, at the time, was an inactive shell company. Therefore, the acquisition and reverse take-over has been treated as a continuation of WCP with no adjustment to the carrying value of WCP's assets. CMP only had cash. The reverse take-over occurred on October 10, 2000.

b) Basis of Preparation

These consolidated financial statements have been prepared using Canadian generally accepted accounting principals and are in accordance with the Canadian Institute of Public and Private Real Estate Companies Accounting Handbook.

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. In other than normal course of business, the Company may be required to realize its assets and liquidate its liabilities and commitments at amounts different from those in the accompanying financial statements. The Company's continuance as a going concern is dependent upon its ability to negotiate with its lenders for the refinancing of its long term debt due in fiscal 2003 and to continue with profitable levels of operation.

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2. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash consist of cash on hand and balances with banks and investments in money market instruments.

Revenue-producing properties and capital assets

Capital assets are recorded at cost less accumulated amortization. Revenue-producing properties are carried at the lower of cost less accumulated amortization and net recoverable amount. The cost of revenue-producing properties and capital assets disposed of and related accumulated amortization are removed from the accounts at the time of disposition with any resulting gain or loss included in income, except in circumstances whereby the Company takes back a mortgage. Where the Company takes back a mortgage, any resulting loss on the sale of the capital asset is recognized at the time of the disposition, while any gain is deferred and recognized in income on a straight-line basis over the life of the vendor take back mortgage.

Amortization is provided for over the estimated useful lives of the assets on a declining balance basis at rates ranging from four to twenty per cent.

Deferred Charges

Deferred charges consist of financing charges incurred in connection with the 7.93% mortgage financing on the Evergreen trailer park. These charges are amortized on a straight-line basis over a ten year period, being the term of the financing to which they apply. Accumulated amortization reflected in the balance is $138,940 as at September 30, 2002 ($103,637 – September 30, 2001).

Earnings per share

Earnings per share amounts have been calculated and presented in accordance with the recommendations of the Canadian Institute of Chartered Accountants whereby the treasury stock method is used to calculate diluted earnings per share. The new standard was, commencing in the period ended September 30, 2001, applied on a retroactive basis and had no impact on the amounts presented.

Diluted earnings per share considers the dilutive impact of the exercise of outstanding stock options, warrants and conversion of preferred shares, as if the events had occurred at the beginning of the period or at a time of issuance, if later.

Stock Option Plan

The Company has a stock option plan as described in Note 10. On January 1, 2002, the Company adopted the Canadian Institute of Chartered Accountant's recommendations on stock-based compensation and other stock-based payments. Under these recommendations, which are effective for stock based compensation issued on or after January 1, 2002, and are not required to be applied retroactively, the Company is not required to record compensation expense for stock-based compensation awards granted to employees, except for employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity investments. The Company has granted no such awards and consequently the adoption of the standard had no impact on the figures presented.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company accounts for employee stock options using the intrinsic value method. As the exercise price for all stock options granted is equal to the market value of the stock on the grant date, no compensation expense is required to be recognized under the intrinsic value method. Consideration paid by employees on exercise of the stock options is recorded as share capital.

Revenue Recognition

Rentals from revenue-producing properties are recognized as revenue over the terms of the related lease agreements. Revenues from tenants for property taxes and operating costs are recognized as revenues in the period the costs are incurred.

Income Taxes

The Company follows the asset and liability method for accounting for income taxes. Under the asset and liability method, the change in the future tax asset or liability is to be included in income. Future income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. This standard was adopted, effective January 1, 2001. The provisions were applied retroactively with restatement of prior period financial statements. At October 1, 2000 a future income tax liability of $160,086 was recorded and retained earnings was reduced by the same amount.

Measurement Uncertainty

The amounts recorded for amortization are based on estimated useful lives of related assets. By their nature, these estimates, and those related to the future cash flows used to assess impairment, are subject to measurement uncertainty and the impact on the financial statements of future years could be material. Accounts specifically affected by estimates in these financial statements are accounts receivable, revenue-producing properties and capital assets, and deferred charges.

Use of Estimates

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles has required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at September 30, 2002 and the revenues and expenses reported for the year then ended. Actual results may differ from those estimates.

Contributed Surplus

A loan owed by WCP to the company's 64% parent, Proprietary Industries Inc. was partially forgiven. This has been accounted as a contribution of capital, net of preferred shares issued.

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3. ACQUISITIONS

On September 1, 2001, the Company purchased the assets of Central City Business Park Ltd. in exchange for 31,742 common shares at a price deemed to be $1.00 per share, assumption of existing mortgages with an outstanding balance at September 1, 2001 of approximately $2,618,553 and other obligations of and costs of acquisition of approximately $296,306. The 31,742 common shares had not been issued as of September 30, 2001 and therefore were reflected as an obligation to issue shares as at September 30, 2001. These common shares were the only shares issued during the year ended September 30, 2002.

4. REVENUE-PRODUCING PROPERTIES AND CAPITAL ASSETS

	September 30, 2002		
	Cost	Accumulated amortization	Net Carrying Value
Land	$ 8,654,071	$ -	$ 8,654,071
Buildings	2,908,707	382,948	2,525,759
Mobile homes	578,263	112,087	466,176
Landscaping	813,371	568,167	245,204
Roads	1,800,405	641,509	1,158,896
Distribution lines	2,439,505	471,430	1,968,075
Project development	113,868	9,270	104,598
Office and other equipment	194,889	129,543	65,346
Vehicles	30,000	20,989	9,011
	$17,533,079	$ 2,335,943	$15,197,136

	September 30, 2001		
	Cost	Accumulated amortization	Net Carrying Value
Land	$ 8,654,071	$ -	$ 8,654,071
Buildings	2,879,190	254,823	2,624,367
Mobile homes	683,828	107,472	576,356
Landscaping	811,105	506,866	304,239
Roads	1,800,405	537,665	1,262,740
Distribution lines	2,439,504	389,427	2,050,077
Project development	18,540	9,270	9,270
Office equipment	178,546	112,750	65,796
Vehicles	30,000	18,736	11,264
	$ 17,495,189	$ 1,937,009	$ 15,558,180

5. SHAREHOLDER ADVANCES

The amounts due to and from shareholder are owing to and from the Company's controlling shareholder, Proprietary Industries Inc. The balance owed by Proprietary Industries Inc. bears interest at a rate of prime plus 2% and is unsecured with no fixed terms of repayment. The Company has recorded $129,115 in interest revenue for the year ended September 30, 2002 (September 30, 2001 - $109,495) which is the exchange amount.

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6. RESTRICTED CASH

Restricted cash consists of security deposits on mobile home park lot rentals.

7. NOTES RECEIVABLE

Notes receivable on mobile home sales are due in monthly installments of approximately $3,148 including interest at 12% per annum with maturity dates ranging from October 2002 to January 2006. The notes receivable are secured by specific mobile home units.

8. LONG-TERM DEBT

	September 30, 2002	September 30, 2001
Evergreen Property		
Mortgage payable in monthly installments of $83,085 including interest at 7.93%, secured by capital assets at a carrying amount of $11,443,779, due October 1, 2010.	$ 10,974,969	$ 11,096,622
Lac La Biche Property		
Mortgage payable in monthly installments of $4,500 including interest at 7.25% secured by capital assets at a carrying amount of $679,849, due December 7, 2004.	334,177	360,351
High Prairie Property		
Mortgage payable in monthly installments of $3,000 including interest at 6.50% secured by capital assets at a carrying value of $132,383, due April 7, 2003.	223,295	240,929
Kelowna Commercial Property		
Mortgages payable in monthly installments of $19,904 including interest at 7.375%, due December 1, 2002. (i)	2,185,326	2,262,382
Term loans payable in monthly payments of interest only at prime plus 4%, with a minimum of 12.5% per year.	350,000	350,000
The above loans are secured by capital assets with a carrying amount of $2,915,313		
	$ 14,067,767	$ 14,310,284

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8. LONG-TERM DEBT (continued)

Principal repayments due over the next five years are as follows:

2003	$ 2,915,807
2004	175,273
2005	430,052
2006	166,875
2007	180,596
2008 and beyond	10,199,164
	$ 14,067,767

(i) Subsequent to year-end, the Company and the lender have agreed to renew the mortgages which were due December 1, 2002 under similar terms and conditions until March 1, 2003.

9. PREFERRED SHARES

The preferred shares, which were issued in connection with the forgiveness of a loan previously owed by WCP to Proprietary, are retractable at any time at the option of the holder at $1 per share. The Company has the option to redeem the shares at $1 per share anytime after October 30, 2005. The preferred shares are convertible into common shares up to and including October 30, 2005 as follows:

October 31, 2000 to October 30, 2002	1.33333333 common shares per preferred share
October 31, 2002 to October 30, 2003	1.17647059 common shares per preferred share
October 31, 2003 to October 30, 2004	1.05263158 common shares per preferred share
October 31, 2004 to October 30, 2005	0.95238095 common shares per preferred share

As a result of the retraction feature, a liability in the amount of $1,250,000 has been reflected in these financial statements with a corresponding reduction of the contributed surplus that was recorded on cancellation of the loan owed to Proprietary.

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10. SHARE CAPITAL

Authorized
Unlimited number of common shares
Unlimited number of preferred shares, each convertible into one common share

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine, subject to the limitations set out in the Company's Articles, the designation, rights, privileges, restrictions and condition attached to the shares of each series. As described in Note 9, 1,250,000 preferred shares have been issued in connection with the forgiveness of amounts due to Proprietary.

Common Shares Issued

	Number of shares	Amount
Balance September 30, 2000	2	$ 2
Reduction of common shares prior to acquisition	(2)	-
Share capital adjustment prior to the reverse take-over	1,011,000	-
Shares issued on completion of reverse take-over	1,800,000	200,152
Balance September 30, 2001	2,811,000	200,154
Issued as partial consideration on acquisition (Note 3)	31,742	31,742
Balance September 30, 2002	2,842,742	$ 231,896

On October 10, 2000, the Company (which, at that time was not operating and only had approximately $200,000 of current assets) purchased all of the issued and outstanding shares of WCP Holdings Ltd. ("WCP"), a company that operates mobile home parks. As the business of WCP continues and the former owner of WCP (Proprietary Industries Inc.) control the Company after completion of this transaction, this was accounted for as a reverse takeover.

The shares include 1,170,000 common shares and 562,000 preferred shares which are currently escrowed. The shares are releasable from escrow at various times subject to certain conditions being met up to and including December 8, 2003.

The Company has a stock option plan. Under the plan, options or share awards may be granted to individuals as may be deemed in the best interest of the Company by the board of directors or a duly authorized committee.

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10. SHARE CAPITAL (continued)

Information regarding the share option plans is summarized as follows:

	2002		2001	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Balance beginning of period	280,000	$0.71	280,000	$0.71
Granted	-	-	-	-
Expired	(50,000)	0.50	-	-
Exercised	-	-	-	-
	230,000	$0.75	280,000	$0.71

The following table summarizes information about the options outstanding as of September 30, 2002:

Expiry date	Number	Price
January 2, 2003	50,000	$0.75
February 10, 2003	180,000	$0.75
	230,000	

Subsequent to September 30, 2002, the two directors who were granted all of these options resigned. Therefore, as a result the options expired within ninety days of their resignation and expired without being exercised. Previously the options were to expire on December 8, 2004.

11. RELATED PARTY TRANSACTIONS

During the year, the Company paid $29,102 (2001 – $33,400) in consulting fees to a corporation wholly owned by Mr. Theodore Hennig, a former officer of the Company. During fiscal 2002, the Company paid $31,000 (2001-nil) in consulting fees to an individual, Mr. William Turnbull, who became a director of the Company during 2001. The Company also paid $49,500 (2001 – nil) in consulting fees to a Company which is believed to have been controlled by, Mr. Peter J. Workum, the former Chief Executive Officer. The transactions were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties, and is under the same terms and conditions as transaction with third parties.

12. INCOME TAXES

The income tax provision reflects an effective tax rate that differs from the expected tax rate as summarized below:

	2002	2001
Expected income tax rate	39.9%	42.9%
Expected tax expense	$ 158,334	$ 154,325
Large corporation tax	32,285	36,731
Adjustment for enacted tax laws and rates	(30,653)	-
Adjustment for prior years	32,089	-
Other	36,852	1,963
Income tax provision	$ 228,907	$ 193,019

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12. **INCOME TAXES** (continued)

The tax effects of temporary differences that give rise to future tax liabilities at September 30, 2002 and 2001 are presented below:

	2002	2001
Future tax liabilities:		
Net carrying value of capital assets in excess of undepreciated capital cost	$ 358,840	$ 326,248
Operating losses carried forward	(8,669)	(39,565)
Net future income tax liabilities	$ 350,171	$ 286,683

13. EARNINGS PER SHARE

Basic earnings per share are calculated based upon the weighted average number of shares outstanding during the periods ended September 30, 2002 and 2001 of 2,840,097 and 2,811,000, respectively. Fully diluted earnings per share are calculated based on 4,506,713 shares for the period ended September 30, 2002 and 4,477,667 shares for the period ended September 30, 2001.

14. STATEMENTS OF CASH FLOWS

The change in non-cash items related to operations is comprised of the following:

	Year ended September 30 2002	Year ended September 30 2001
Increase in accounts receivable	$ (9,944)	$ (10,760)
Increase in prepaid expenses	(61,393)	(10,069)
Increase in accounts payable and accrued liabilities	49,590	42,724
Increase in rents received in advance	42,184	5,033
Increase in security deposits	52,513	31,897
Increase in taxes payable	156,688	36,731
Decrease in inventory	-	21,669
	$ 229,638	$ 117,225

The following cash payments have been included in the statement of cash flows:

	Year ended September 30 2002
Interest	$ 1,126,026
Income taxes	$ 2,245

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14. STATEMENTS OF CASH FLOWS (continued)

During the year ended September 30, 2002, the Company issued 31,742 common shares of the Company at a stated value of $31,742 as satisfaction of that obligation. The Company also disposed of capital assets for cash and notes receivable. The total proceeds on sale for the year ended September 30, 2002 resulting from issuing notes receivable was $54,250 (2001 - $13,476). The Company also reacquired capital assets by claiming against outstanding notes receivable during the year of $17,122.

During the year ended September 30, 2001, capital assets were acquired at an aggregate cost of $2,870,000 by means of assumption of mortgages of $2,618,553, assumption of accounts payable of $219,705 and the assumption of the obligation to issue 31,742 common shares of the Company at a stated value of $31,742.

15. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk arises from the possibility that the individuals and entities to which the Company provides services may experience difficulty and be unable to fulfill their obligations. The Company's credit risk concentration is minimized and managed monthly.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to notes receivable, due from shareholder, and long term debt would fluctuate as a result of changes in market interest rates. The Company is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates used on those financial instruments.

Fair Values

The fair values for cash, accounts receivable, notes receivable, restricted cash, accounts payable, security deposits and term loans approximate their carrying values due to interest rates being at current market rates for comparable maturities.

The carrying values for rents received in advance and long-term debt approximate their fair value.

16. RESTATEMENT OF SEPTEMBER 30, 2001 BALANCE SHEET

The September 30, 2001 balance sheet included a balance of $500,000 in accounts receivable that should have been included in advances to shareholder. The Company had also erroneously presented a balance that was due to shareholder as an offset against the balance due from shareholder. As the Company does not have the legal right of offset on these amounts, this offset was not appropriate. Accordingly, as a result of these adjustments, the balance of accounts receivable as at September 30, 2001 has been reduced by $500,000 from that previously reported, due from shareholder has been increased by $641,114, and due to shareholder has been increased by $141,114. There is no net income effect for this reclassification but there is an impact on the statement of cash flows.

Certain other changes have been made to the comparative figures to correspond with current year financial statement presentation, including presentation of a non-classified balance sheet in 2002 as described in Note 2.

17. COMPARATIVE FIGURES

Separate financial statements for the nine months ended September 30, 2001 and for the three months ended December 31, 2000 had been previously prepared and audited. The comparative financial statements attached presents the results of operations, cash flows and changes in retained earnings for the twelve months ended September 30, 2001.

DIRECTORS	CORPORATE INFORMATION
Stephen C. Akerfeldt President and Director Toronto, Ontario **Patrick Lavelle** Director Toronto, Ontario **Edward Alfke** Director Salmon Arm, B.C. **Leo Berezan** Director Langley, B.C. **William G. Turnbull** Director Calgary, Alberta	**BANKER** CIBC 309—8th Avenue S.W., Calgary, Alberta **LEGAL COUNSEL** Thackray Burgess 1900, 736—6th Avenue S.W. Calgary, Alberta **AUDITOR** Mintz & Partners LLP 100-1446 Don Mills Road North York, Ontario **TRANSFER AGENT** Computershare Trust Company of Canada 600, 530—8th Avenue S.W., Calgary, Alberta
OFFICERS	
Stephen C. Akerfeldt President and Director Toronto, Ontario **Glenn McCowan** Chief Financial Officer Calgary, Alberta **Cheryl Lebeuf** Secretary Calgary, Alberta	**STOCK EXCHANGE LISTING** TSX Venture Exchange Trading Symbol: CMP Canadian Rocky Mountain Properties Inc. Suite 227, 200 Barclay Parade S.W. Calgary, Alberta T2P 4R5 Phone: (403) 264-6364 Fax: (403) 266-6365